Fiscal Notes Prepared by the Missouri State Auditor's Office in 2005

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
05-01	2/24/2005	Proposed Constitutional Initiative Petition - Technology Parks	3/28/2005
05-02	5/27/2005	Senate Joint Resolution No 1 - Parks and Soils Tax	6/27/2005
05-03	9/19/2005	Proposed Constitutional Initiative Petition - Increase in Tobacco Tax	Withdrawn by Petitioner
05-04	9/21/2005	Proposed Constitutional Initiative Petition - Increase in Tobacco Tax	10/24/2005
05-05	9/21/2005	Proposed Constitutional Initiative Petition - Multiple Political Parties and Changes to Nominating Process for Exceptions	Withdrawn by Petitioner
05-06	9/21/2005	Proposed Constitutional Initiative Petition - Multiple Political Parties	Withdrawn by Petitioner
05-07	10/11/2005	Proposed Constitutional Initiative Petition - Stem Cell Research	11/10/2005
05-08	10/11/2005	Proposed Constitutional Initiative Petition - Multiple Political Parties and Changes to Nominating Process for Exceptions - Version 2	11/10/2005
05-09	10/11/2005	Proposed Constitutional Initiative Petition - Multiple Political Parties - Version 2	11/10/2005
05-10	10/17/2005	Proposed Statutory Initiative Petition - Medicaid	Withdrawn by Petitioner
05-11	10/18/2005	Proposed Constitutional Initiative Petition - Education Funding	Withdrawn by Petitioner
05-12	10/18/2005	Proposed Constitutional Initiative Petition - Education Funding	Withdrawn by Petitioner
05-13	10/28/2005	Proposed Statutory Initiative Petition - Medicaid - Version 2	Withdrawn by Petitioner
05-14	11/01/2005	Proposed Constitutional Initiative Petition - Education Funding - Version 2	Withdrawn by Petitioner

05-15	11/01/2005	Proposed Constitutional Initiative Petition - Education Funding - Version 2	Withdrawn by Petitioner
05-16	11/04/2005	Proposed Statutory Initiative Petition - Medicaid - Version 3	Withdrawn by Petitioner
05-17	11/09/2005	Proposed Constitutional Initiative Petition - Education Funding - Version 3	12/12/2005
05-18	11/09/2005	Proposed Constitutional Initiative Petition - Education Funding - Version 3	Withdrawn by Petitioner
05-19	11/30/2005	Proposed Statutory Initiative Petition - Medicaid - Version 3	12/13/2005
05-20	12/14/2005	Proposed Constitutional Initiative Petition - Education Funding - Version 4	1/11/2006
05-21	12/19/2005	Proposed Constitutional Initiative Petition - Tobacco Tax and Medicaid reform	Withdrawn by Petitioner
05-22	12/23/2005	Proposed Constitutional Initiative Petition - Tobacco Tax and Medicaid reform - Version 2	Withdrawn by Petitioner
05-23	12/23/2005	Proposed Constitutional Initiative Petition - Tobacco Tax and Medicaid Reform - Version 3	Withdrawn by Petitioner

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (No. 05-01r)

Subject

Initiative petition for constitutional amendment from Steven L. Reed regarding Technology Parks. (Received February 24, 2005)

Date

March 16, 2005

Description

This initiative petition would amend Article IV of the Missouri Constitution by amending Section 36(a) to provide a statewide sales tax of one-tenth of one percent. This tax is to be imposed for one year. The proceeds from the tax are to be used by the Department of Economic Development for the promotion and development of one or more "Technology Parks" in southwest Missouri. The amendment is to be voted on in November 2006.

Public comments and other input

The State Auditor's Office received input from the Department of Revenue.

Assumptions

The Missouri Department of Revenue reports that a one-tenth of one percent statewide sales tax generated $74.8 million in fiscal year 2004. Assuming a two percent yearly growth rate, (based upon the average growth in sales tax revenues for the past five years) a one-tenth of one percent statewide sales tax will generate approximately $79.4 million in 2007.

Officials from the Missouri Department of Revenue indicated minimal programming costs that would be absorbed by the agency. They also indicated that a notification letter would be mailed at the inception and conclusion of the one year tax. The cost associated with the notifications would be approximately $111,000.

Fiscal Note Summary

This proposed constitutional amendment will impose an additional sales tax of one-tenth of one percent for one year. The additional revenues of approximately $79 million will be used for the promotion and development of one or more Technology Parks in southwest Missouri.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-02)

Subject

Senate Joint Resolution No. 1 for amending the constitution regarding the parks and soils tax. (Received May 27, 2005)

Date

June 16, 2005

Description

This Senate Joint Resolution would amend the Constitution of Missouri by repealing section 47(c) of article IV, and adopting one new section in lieu thereof relating to the parks and soils tax. This resolution would continue the one-tenth of one percent sales and use tax for use by the Department of Natural Resources for soil and water conservation efforts and the state park system until 2016. Every ten years thereafter, the tax renewal issue would automatically be resubmitted to the voters for approval. If a majority of the voters fail to approve the continuance of the sales and use tax for parks and soils, the tax shall terminate at the end of the second fiscal year after the election was held, or 2008.

The amendment is to be voted on in November of 2006 or at a special election to be called by the Governor for that purpose.

Public comments and other input

The State Auditor's Office received input from the Office of Administration, Department of Revenue, Department of Natural Resources, and proponents of the resolution.

Assumptions

Officials from the Office of Administration (OA) report that the one-tenth of one percent statewide parks and soils sales tax generated $74,786,795 in fiscal year 2004. The OA estimates the one-tenth of one percent statewide sales tax would generate approximately $82 million in 2007, assuming a 3.49 percent yearly growth rate, (based upon the average growth in sales tax revenues for the past nine years).

Officials from the Department of Revenue assume this proposal would not have an impact on their agency.

Officials from the Department of Natural Resources (DNR) assume there will not be a fiscal impact to the department if the voters approve this proposal. However, if a majority of the voters fail to approve this proposal, the sales and use tax levied for soil

and water conservation and for state parks would terminate at the end of the second fiscal year after the election was held, or 2008.

Officials from DNR assume this proposal would allow for the seamless continuation of the sales and use tax levied for soil and water conservation and for state parks until a general election in 2016. This money is to be expended and used by the DNR through the state soil and water districts commission as defined in Section 278.070, RSMo, for the saving of the soil and water of this state for the conservation of the productive power of Missouri agricultural land, and by the DNR through the division responsible for the state park system for the acquisition, development, maintenance and operation of state parks and state historic sites. The sales tax renewal issue would be resubmitted to the voters for approval every ten years, beginning in 2016. It would continue to provide funding to maintain Missouri soil and water conservation efforts and the operation of the state park system. This is not a tax increase.

Fiscal Note Summary

The proposed constitutional amendment continues until 2016, but does not increase, the existing sales and use tax of one-tenth of one percent that is set to terminate in 2008. The tax would generate approximately $82 million annually for soil and water conservation efforts and operation of the state park system.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-04rr)

Subject

Initiative petition for constitutional amendment from Robert L. Hess II concerning a tobacco tax. (Received September 21, 2005)

Date

October 21, 2005

Description

This initiative petition (Version 2) would amend Article IV of the Missouri Constitution by amending Section 37(b). The initiative petition provides that monies collected from an additional tax of four cents per cigarette and twenty percent of the manufacturer's invoice price before discounts and deals on other tobacco products will be credited to and placed in the Healthy Future Trust Fund within the state treasury.

The monies may be appropriated to three general accounts in the Healthy Future Trust Fund to be used for the purposes specified in the Tobacco Use Prevention, Education, and Cessation Account, the Chronic Disease Management Account, and the Health Care Access and Treatment Account. The taxes are to be levied and collected as provided by law.

The amendment is to be voted on in November, 2006, or at a special election called by the governor. The effective date of the amendment will be January 1, 2007, and programs described in the petition will be implemented no later than July 1, 2007.

Public comments and other input

The State Auditor's Office received input from the Department of Revenue, the Department of Health and Senior Services, the Department of Public Safety, the Department of Mental Health, the Department of Social Services, the State Treasurer, and the Governor's Office. We also received comments from Robert L. Hess II with Hush & Eppenberger, LLC on behalf of the Committee for a Healthy Future.

Assumptions

Officials from the Department of Revenue (DOR) indicated that approximately 594 million packs of cigarettes are currently sold each year. An additional tax of four cents per cigarette would generate approximately $475 million annually. In addition, twenty percent of the manufacturer's invoice paid before discounts and deals for tobacco products other than cigarettes will generate approximately $24 million annually. The DOR noted actual revenues, especially the first year, may be less due to reduced sales

because of increased prices, and/or stockpiling products and stamps in advance of the increase.

There would be a minimal impact on the DOR's Division of Taxation. Taxation would need to revise forms and programs and 230 notification letters to licensees would also need to be mailed. An additional 5,000 to 6,000 notification letters may need to be sent to tobacco retailers. Existing staff would be sufficient to collect the additional taxes.

Officials from the DOR did express some concerns. Section 5 (1) states"…the actual costs of collecting the new tax shall be paid from the Healthy Future Trust Fund"… It is not clear how Taxation is to separate the cost of collection of this additional tax from the cost of collection of the current tax. This would create additional costs in the collection process. The department requests a time frame in which the distribution is to be made. The department also questions whether the costs of collection should be deducted from the net proceeds each month.

Section 5 (2) states that the DOR is to refund moneys overpaid or erroneously paid. Currently, the Taxation Bureau only refunds for returns to the manufacturer or for stamps that are returned to the director. For the purpose of this response, it will be assumed that the current refund standards will be utilized.

Section 5 (3) requires the DOR to make a monthly comparison to determine if the tax increase caused a reduction in the amount of moneys collected and deposited into the fair share fund, school fund, and health initiatives fund. It is unclear how the comparison is to be made. Whether the amount compared is to be compared to the prior year, the prior month, or the year to date totals.

Section 11 states "…products in the possession or under the control of any dealer or distributor…" A definition for dealer or distributor has not been provided. The DOR recommended that the definitions found in this Constitutional amendment be consistent with the definitions found in Chapter 149, RSMo.

The DOR requested clarification to limit "floor stocks." There is a concern with the wording in Section 11, as is, that stockpiling and windfalls may take place for those who have the cash flow to purchase large amounts of stamps before the increase becomes effective. If the term "dealer" is changed to "retailer" and if "wholesaler" is also added, then the DOR would cover anyone who has wholesale inventory, plus the licensed distributor and the retailer who might have inventory on the shelf. Currently retailers are not required to be licensed. The DOR also questioned when the tax on floor stocks should be paid and whether there any penalties for late payment or nonpayment.

Currently the DOR allows a three percent timely discount on cigarette stamps and a two percent timely discount on other tobacco products. No provision has been given in this amendment for timely discounts. The DOR assumes that Sections 149.021 and 149.170 RSMo still apply. If not, the DOR will need to provide a way for the taxpayer to calculate the amount due.

Officials from the Department of Health and Senior Services (DHSS) indicated estimated revenue from the proposed tax increase, as determined by the Committee for a Healthy Future, to be approximately $351 million. The DHSS assumes the funding levels will remain at the current level for the first three years. However, if the tobacco cessation programs are successful, there will be a decrease in the revenue as fewer tobacco products are purchased. DHSS assumes all of these programs would begin in fiscal year 2008. DHSS stated that a supplemental budget may need to be requested, and if approved by the General Assembly, implementation of the programs can begin prior to fiscal year 2008.

In order to implement the proposed legislation would require seventeen additional full-time employees. Estimated costs incurred in the Tobacco Use Prevention, Education, and Cessation Account total $61,338,178, $61,273,523, and $61,273,523 in fiscal years 2008, 2009, and 2010, respectively. Estimated tax revenue for the account total $61,425,000 for fiscal years 2008 through 2010.

Estimated costs incurred in the Health Care Access and Treatment Account total $1,894,977, $1894,655, and $1,894,655 in fiscal years 2008, 2009, and 2010 respectively. Estimated tax revenue for the account total $1,895,000 for fiscal years 2008 through 2010.

The DHSS has concerns with Section 37(b)9.(3) regarding payments to trauma centers and hospital emergency departments for facility and physician services rendered to Medicaid beneficiaries and uninsured Missourians. The proposed constitutional change appears to guarantee at least some level of payment to the Level I trauma centers, but not to the other two levels of trauma centers.

The DHSS also has concerns with the composition of an oversight committee, comprised of individuals with expertise in public health, tobacco control, education and counter-marketing, established to help state agencies plan, monitor and assess the efficacy of programs funded through the Tobacco Use prevention, Education and Cessation Account. Section 37(b)7.(3) states that no director or employee of an organization receiving funds from the Tobacco Use Prevention, Education and Cessation Account can be a member of the committee. This will severely limit the membership of the committee in that most of the individuals in the state with expertise and experience in tobacco control and public health will likely be applicants for funds dispersed through grants and contracts.

Officials from the Department of Public Safety (DPS) assume that this legislation will have an economic impact on small businesses. DPS assumes vendors who sell tobacco products will see a reduced profit from sales of tobacco products, related to reduced consumption as tobacco taxes increase.

The DPS would need to hire twenty agents and five full-time clerical employees in order to implement the enforcement components of the Center for Disease

Control's (CDC) Best Practices for the Comprehensive Tobacco Control Program. For tobacco access laws to be actively enforced, universal licensure of tobacco outlet sources is necessary. Best practices include licensing, conducting frequent retailer controlled buys to identify retailers who sell tobacco products to minors (four per outlet per year), imposing a graduated series of civil penalties on the retailer, including license revocation, and eliminating tobacco vending machines and self-service displays. The Division already does controlled buys, however, to meet best practice guidelines, buys would have to be increased by 75 percent; graduated civil penalties are already in place, although they would need to be more severe; and restrictive tobacco vending machine laws have been enacted, reducing the incentive for vendors to have them. Many of the best practices for enforcement are minimally in place within the Division, thus, the Division estimates enhancing the effort to meet best practices could be accomplished for less then $2,000,000 a year.

The estimated fiscal impact for the DPS totals $1,120,405, $1,521,070, and $1,574,638, for the last half of fiscal year 2007, fiscal year 2008, and fiscal year 2009, respectively in salaries and equipment for the additional employees.

Officials from the Department of Mental Health (DMH) indicated that additional program and administrative staff may be needed to expand the efforts in tobacco education to reduce tobacco use; however, it is difficult to determine the actual number of staff and operating costs until specific funding and programs have been identified.

Section 9 (1) refers to supplemental payments for primary care and specialist physician services rendered to Medicaid beneficiaries. The Department of Social Services shall establish, to the extent funds are available, a Medicaid physician fee schedule that is comparable to the Medicare physician fee schedule. The DMH does not administer physician services directly, unless this is a component of their program. In regards to the rate, the Mental Health provider system uses this option, but this is currently administered under Medicaid; therefore, the Department defers to the DSS in the establishment of rates for Department-related physician services which impact DMH clients.

Section 9 (2) states that money deposited in the Health Care Access and Treatment Account shall be appropriated to provide additional funds for the purpose of providing supplemental payments to safety net clinics. Twenty percent of the moneys shall be appropriated to the DSS for this purpose. The Department assumes the definition of "safety net clinics" includes both the community mental health centers and the Division of Alcohol and Drug Abuse's Comprehensive Substance Abuse Treatment and Rehabilitation program. The DSS shall calculate the supplemental payment to each safety net clinic based on the number of ambulatory visits provided during the prior twelve month period to uninsured Missourians with annual household incomes that are 200 percent or less of the federal poverty guidelines. It is assumed that the definition of "ambulatory

visit" includes therapists and physicians included in the Mental Health Service delivery system. It is assumed that this definition includes services provided by the community mental health centers and through the CSTAR program. The DMH defers to the DSS for the projected fiscal impact for this section. The DMH assumes a minimal number of additional administrative staff may be needed to administer the requirements of this section.

Officials from the Department of Social Services (DSS), Information Technology Services Division (ITSD) indicated that the initiative petition will require an eligibility determination system and likely impact Income Maintenance, Medical Services, and to a lesser degree FAMIS. They estimate a one time expense of $330,000 for the initial set up and yearly upkeep of $15,000.

Officials from the DSS, Division of Medical Services (DMS) indicated there would be an increased cost for administrative services related to the implementation and administration of the services funded by the Healthy Future Trust Fund. No additional funding for staff would be required to administer a smoking cessation program.

Additional staff and/or a contract for actuarial services will be needed to review and analyze the cost of medical services for the Chronic Disease Management Account. Funding will also be needed for modifications to the current payment system so appropriate charges can be applied to the individual's health care account and the balance left on the card is accurate and readily available.

The DSS may seek approval from the federal government to qualify the payments for federal participation payments through the disease management program for Medicaid beneficiaries or any similar program for obtaining federal funding. Additional staff is needed to research and apply for and maintain a federal waiver.

The DMS will also need additional staff for the programs under the Health Care Access and Treatment Account. Changes may also be needed to the current billing/payments system so that the supplemental payments may be made. Additional funding may be needed for these changes.

The DSS, Family Support Division (FSD) indicated that they plan to contract out the determination of eligibility and processing of applications for the health care access cards; however, for the purposes of determining an estimated cost, FSD will base its calculations on estimated eligibles, number of applicants, and caseworker need.

The FSD must determine the potential number of Missourians eligible for a new healthcare access card allowing qualified beneficiaries to access benefits from a newly established fund/account via a debit card or similar type payment mechanism. The FSD will base its projections on the prevalence of chronic diseases among Missouri's adult population, 18 years and older. As a result, the

FSD will make the assumption that 198,432 individuals could qualify for health care access cards under the definition of "qualified medical condition."

The FSD anticipates significant staff time involved with processing initial applications and annual reinvestigations with between 99,216 to 198,432 individuals applying in the first year. The FSD estimated the annual cost for one caseworker, with the corresponding supervisor and office support assistant, personal service, and expenses and equipment is $83,710. The FSD assumes that one staff can process 200 applications per month.

Officials from the State Treasurer's Office indicated that the proposed constitutional amendment would have no fiscal impact on their office.

Officials from the Governor's Office indicated that there is no way to determine the fiscal impact of the Oversight Committee. They obtained a revenue estimate, from the Office of Administration, Budget and Planning, of $201.7 million, $407 million, $410.7 million, and $414.4 million in FY2007, FY2008, FY2009, and FY2010, respectively.

The initiative petition requires the State Auditor to perform an annual financial audit of the funds and programs established, at an estimated annual cost of $12,000. It also requires the State Auditor to assess the work and progress of the programs established every three years, at an estimated cost of $32,000 every three years.

Fiscal Note Summary

Additional taxes of four cents per cigarette and twenty percent of the manufacturer's invoice price on other tobacco products generates an estimated $351 - $499 million annually for tobacco use prevention and cessation programs, treatment of chronic diseases and medical conditions, health care access, and administrative costs. Local governmental fiscal impact is unknown.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-07)

Subject

Initiative petition for constitutional amendment from the Missouri Coalition for Lifesaving Cures concerning stem cell research. (Received October 11, 2005)

Date

October 31, 2005

Description

This initiative petition would amend the Missouri Constitution by adding Section 38(d) to Article III. The initiative petition ensures that Missouri patients have access to stem cell therapies and cures, that Missouri researchers can conduct stem cell research in the state, and that all such research is conducted safely and ethically, any stem cell research permitted under federal law may be conducted in Missouri. Any stem cell therapies and cures permitted under federal law may be provided to patients in Missouri, subject to the requirements of federal law.

The initiative petition also implements several limitations and requirements. No person may clone or attempt to clone a human being. Any person who knowingly and willfully violates this shall be punished by imprisonment for a period of up to fifteen years or by the imposition of a fine of up to two hundred fifty thousand dollars, or by both. A civil action may also be filed.

No human blastocyst may be produced by fertilization solely for the purpose of stem cell research. No stem cells may be taken from a human blastocyst more than fourteen days after cell division begins; provided, however, that time during which a blastocyst is frozen does not count against the fourteen-day limit. Any person who knowingly or willfully violates either limitation commits a crime and shall be punished by imprisonment for a period of up to ten years or by the imposition of a fine of up to one hundred thousand dollars, or by both. A civil action may also be filed.

No person may, for valuable consideration, purchase or sell human blastocysts or eggs for stem cell research or stem cell therapies and cures. A civil action may be brought against any person who knowingly and willfully violates this limitation.

Human blastocysts and eggs obtained for stem cell research or stem cell therapies and cures must have been donated with voluntary and informed consent, documented in writing. A civil action may be brought against any person who knowingly and willfully violates this limitation.

Human embryonic stem cell research may be conducted only by persons that have provided oversight responsibility and approval authority for such research to an

embryonic stem cell research oversight committee, adopted ethical standards for such research that comply with the requirements of this section, and obtained a determination from an Institutional Review Board that the research complies with all applicable federal statutes and regulations that the Institutional Review Board is responsible for administering. A civil action may be brought against any person who knowingly and willfully violates this limitation.

All stem cell research and all stem cell therapies and cures must be conducted and provided in accordance with state and local laws of general applicability.

The amendment is to be voted on in November, 2006, or at a special election called by the governor.

Public comments and other input

The State Auditor's Office received input from the Secretary of State's Office, the Attorney General's Office, the Department of Social Services, the Department of Economic Development's Division of Professional Registration, the Department of Health and Senior Services, the State Public Defender's Office, the Office of the State Courts Administrator, the Department of Higher Education, the Department of Corrections, and the University of Missouri – Columbia. The Missouri Coalition for Lifesaving Cures submitted comments as a proponent of the initiative petition.

Assumptions

Officials from the Department of Social Services, the Department of Economic Development - Division of Professional Registration, the Department of Health and Senior Services, the State Public Defender's Office, and the Department of Corrections indicated the proposed amendment would have very little or no fiscal impact on their offices.

The University of Missouri - Columbia is unable to determine the potential costs regarding the proposed constitutional amendment.

Officials from the Attorney General's Office indicated that the proposed amendment would require civil actions for violations of provisions regulating safety and the ethics of stem cell research, as well as provisions requiring an annual report from entities that conduct stem cell research. The Attorney General's Office assumes that it would need one Assistant Attorney General to investigate and bring the causes of actions authorized in the provisions, at a cost of $55,780, $67,140, and $68,916 for fiscal year 2006, fiscal year 2007, and fiscal year 2008, respectively.

Officials from the Department of Higher Education (DHE) indicated the fiscal impact of the proposed initiative petition would be unknown. The initiative petition would not affect the DHE unless the department would be required to coordinate the required research reports from the state's public institutions. Costs for coordination of the reports are unknown. The potential change may provide for a more collaborative posture among

the institutions of higher education in research that supports statewide economic development opportunities.

Officials from the Department of Corrections (DOC) indicated although they do not anticipate a need for capital improvements at this time, it must be noted that the cumulative effect of various new legislation, if passed into law, could result in the need for additional capital improvements funding, if the total number of new offenders exceeds current planned capacity. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in the proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of the legislation, the DOC will incur a corresponding increase in operational costs through supervision provided by the Board of Probation and Parole (FY03 average of $3.15 per offender, per day or an annual cost of $1,150 per offender). The DOC assumes the impact of the legislation would be $0 or a minimal amount that could be absorbed within existing resources.

Officials from the Secretary of State's office indicated costs associated with the proposed legislation are minimal and they would not request funding to comply should the petition be approved by voters.

Fiscal Note Summary

The proposed constitutional amendment would have an estimated annual fiscal impact on state and local governments of $0 - $68,916.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-08)

Subject

Initiative petition from Jerald A. Hochsztein regarding a constitutional amendment allowing candidates to file with multiple political parties and changing the nominating process for exceptions. (Received October 11, 2005)

Date

October 31, 2005

Description

The initiative petition would amend the Constitution of Missouri by creating one new section to be known as Section 8 of Article VIII. This proposed amendment would allow candidates to file with multiple political parties and change the nominating process for exceptions.

Public comments and other input

The State Auditor's Office solicited input from the Secretary of State's Office, the Boone County Clerk, the Cole County Clerk, the Greene County Clerk, the Jackson County Board of Election Commissioners, and the St. Louis County Board of Election Commissioners.

Assumptions

Officials from the Secretary of State's office indicated that the proposed petition language would have no fiscal impact on the Secretary of State's office. However, it would have a fiscal impact on Missouri's local election authorities. The extent of the fiscal impact at the local level is unknown.

The Cole County Clerk was unable to estimate the fiscal impact of the proposed legislation.

The St. Louis County Directors of Elections indicated the proposed legislation would not involve any additional expenditure of public funds to enforce.

The Boone County Clerk indicated the ballot format mandated would not be compatible with the formats on almost all the ballot counting equipment that will be purchased over the next few months. It does not appear the equipment currently certified for use in Missouri can potentially format multiple political parties as mandated. It will cost millions to either replace or retrofit equipment to do this and because of voter usability testing guidelines at the federal level may not be allowed.

Officials from the Jackson County Board of Election Commissioners indicated that there would be minimal to no fiscal impact to implement the proposed amendment.

We did not receive a response from the Greene County Clerk.

Fiscal Note Summary

The proposed constitutional amendment would have an estimated zero fiscal impact on state government. Fiscal impact on local government is unknown.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-09)

Subject

Initiative petition from Jerald A. Hochsztein regarding a constitutional amendment allowing candidates to file with multiple political parties. (Received October 11, 2005)

Date

October 31, 2005

Description

The initiative petition would amend the Constitution of Missouri by creating one new section to be known as Section 8 of Article VIII. This proposed amendment would allow candidates to file with multiple political parties.

Public comments and other input

The State Auditor's Office solicited input from the Secretary of State's Office, the Boone County Clerk, the Cole County Clerk, the Greene County Clerk, the Jackson County Board of Election Commissioners, and the St. Louis County Board of Election Commissioners.

Assumptions

Officials from the Secretary of State's office indicated that the proposed petition language would have no fiscal impact on the Secretary of State's office. However, it would have a fiscal impact on Missouri's local election authorities. The extent of the fiscal impact at the local level is unknown.

The Cole County Clerk was unable to estimate the fiscal impact of the proposed legislation.

The St. Louis County Directors of Elections indicated the proposed legislation would not involve any additional expenditure of public funds to enforce.

The Boone County Clerk indicated the ballot format mandated would not be compatible with the formats on almost all the ballot counting equipment that will be purchased over the next few months. It does not appear the equipment currently certified for use in Missouri can potentially format multiple political parties as mandated. It will cost millions to either replace or retrofit equipment to do this and because of voter usability testing guidelines at the federal level may not be allowed.

Officials from the Jackson County Board of Election Commissioners indicated there would be minimal to no fiscal impact to implement the proposed amendment.

We did not receive a response from the Greene County Clerk.

Fiscal Note Summary

The proposed constitutional amendment would have an estimated zero fiscal impact on state government. Fiscal impact on local government is unknown.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-17r)

Subject

Initiative petition from Herman Kriegshauser regarding a proposed constitutional amendment for Article IX, Education, Sections 1 through14. (Received November 9, 2005)

Date

December 8, 2005

Description

The initiative petition (version 3) would establish and maintain free public schools for all persons in the state within the ages not in excess of twenty-one years or grades K-14. The proposed amendment would change appropriations to the schools, by the state, from annually to quarterly. It would also increase the percentage of state revenues used for support of schools from twenty-five percent to thirty-three percent.

The proposal repeals the prohibition of state and local funds or resources to aid any religious creed, church, or private or public school controlled by any religious creed, church, or sectarian denomination.

In addition, the proposed amendment would require all funding of K-14 schools through taxation to be the exclusive and sole responsibility of the state legislature. No individual K-12 public school, public school district, special school district, or community college district would be allowed to raise any additional funds from any form of taxation of income, sales, or property.

Funding of all K-14 education would come from no less than twenty-five percent and no more than forty percent of any category of taxation of income, sales, or property. The legislature would annually determine and appropriate an amount to be provided for all K-14 public schools and K-14 non-public school students in the form of scholarship certificates. One hundred percent of the amount of the scholarship certificate would be distributed to public schools on behalf of parents or guardians choosing a public school education. Seventy-five percent of the amount of the scholarship certificate would be distributed through the parents or guardians on behalf of students choosing a non-public school, if such education is provided by a recognized nationally, regionally, or state accredited non-public school accrediting agency or the school has obtained provisional approval pending accreditation to be received within the fourth school year of participation.

No testing requirements of K-14 non-public school students can be required by law, regulation or otherwise.

The legislature would determine and provide additional funding for all students requiring special care due to physical and/or mental disability as a percentage of the basic amount provided all K-14 public or non-public school students.

State income from lottery tickets or regulated gambling would be divided equally among all K-14 public and non-public school students. Also, all K-14 public schools, K-14 non-public schools, grades 13-14 community colleges, or K-14 non-profit educational trusts, would be allowed to obtain additional funding through the providing of ninety percent state income tax credits to businesses and/or individuals who donate funds to such schools, colleges, or trusts.

The amendment is to be voted on in November, 2006.

Public comments and other input

The State Auditor's Office received input from the Department of Elementary and Secondary Education, the Department of Higher Education, the Office of Administration, the Department of Revenue, Metropolitan Community College in Kansas City, St. Louis Community College, and Linn State Technical College.

Assumptions

Department of Elementary and Secondary Education
Officials from the Department of Elementary and Secondary Education (DESE) indicated that section 1(a) would mandate gratuitous instruction to all individuals not in excess of 21 years of age or grades K-14. The loss of tuition receipts from college students would constitute a cost of the amendment.

Section 3(b) would increase the minimum amount of state revenues allocated in support of public schools from twenty-five percent to thirty-three percent. The DESE Budget Section indicated that the calculation on the amount of required revenue would have to come from the Office of Administration.

Section 8 contains the primary prohibition of use of public funds to support church-based schools. Although no direct costs would be triggered by this change, it represents a significant change in policy for the state.

Section 10(a) would place school funding at the sole discretion of the state legislature. Public school districts, special school districts, and community colleges would be barred from raising additional funds through taxation. This would remove local control of public school funds. Loss of local tax revenues would constitute a cost of this amendment.

Section 10(c) would create in effect a new voucher system that would distribute scholarship certificates to the public or nonpublic school of a parent or guardian's

choosing. The cost of this section would be subject to appropriations by the General Assembly.

Section 11 would authorize the state legislature to determine funding for children with disabilities in both public and nonpublic schools. The cost of this section would be subject to appropriations by the General Assembly.

Section 12 would divide revenues from lottery tickets and regulated gambling equally among K-14 public and nonpublic school students. There would be additional costs for establishing a new mechanism for distribution of funds to the nonpublic schools.

Section 13 would authorize both public and nonpublic schools to obtain additional funding through the providing of tax credits to businesses or individuals donating to the institutions. The cost would be a function of the enabling legislation that would authorize the amount of the tax credits. More tax credits mean less funds available to distribute to schools.

DESE concluded that the fiscal impact of the proposed constitutional amendment is unknown.

Department of Higher Education

Officials from the Department of Higher Education (DHE) indicated the initiative petition would have a significant impact on the department for the coordination of payments to the state's post-secondary institutions and parents or guardians. Due to budget cuts, the DHE has suffered FTE reductions in excess of 50 percent. Given the scope and magnitude of this proposal, a minimum of four FTE would be needed to carry out the duties as outlined.

The proposed change would require the following additional duties at the DHE: develop a distribution mechanism for all scholarship certificates issued to students or their parents or guardians; develop a tracking system for scholarship certificates sent to public post-secondary schools in Missouri; monitor the levels of additional funding for students with physical and/or mental disability needs; review accreditation of non-public schools; monitor tax credits of those businesses and/or individuals who donate funds to K-14 schools, community colleges or non-profit educational trusts.

Four FTE (3 Research Associates and 1 Director) would be assigned to a unit to accomplish all of the duties relating to the distribution and monitoring of funds for over 57,500 Missouri high school graduates potentially entering grades 13 and 14. Many of these duties pertain to both public and private institutions. Therefore, this group would be responsible for distribution of funds to parents or guardians of students entering grade 13 and 14 in a non-public school or to the more than 250 campuses in Missouri where students could receive grade 13 and 14 education.

In addition, the fiscal impact of this potential constitutional change is further unknown since the funding provisions would impact the future actions of the General Assembly

and ultimately the state appropriations for higher education institutions including appropriations for maintenance of those institutions. Community Colleges currently receive revenues from their local taxing districts. This source of income will potentially go away.

<u>Office of Administration</u>
Officials from the Office of Administration (OA) provided the following summary of costs.

Initiative Educational Costs		**FY06 Spending/Revenues**	
Total Cost K-12	$7,072,143,671	DESE	$3,347,419,514
Total Cost Community College	$409,647,195	Community College	$125,885,581
Total Cost Early Childhood	$96,314,400	Gaming and Lottery	$559,467,145
Total Projected Cost	**$7,578,103,266**	**Total Revenues**	**$4,032,772,240**
Increased Educational Cost to State		**$3,545,331,026**	
Initiative Additional Costs			
90% business/individual income tax credit for donations to educational trusts or any K-14 school		**$ unknown**	

OA officials also indicated that there would be an impact on the Department of Elementary and Secondary Education. Section 10(b) of the initiative petition requires scholarship certificates be provided to all students K-14. This would end direct appropriations to public school districts for free public education.

Section 8, which prohibits pubic aid for religious or private institutions, is repealed. This may jeopardize all of Missouri's federal funding for education. Currently Missouri receives $1,000,902,098 in federal funds. Most federal programs receive funds based on student counts. It is assumed student counts in public schools would decrease, resulting in a loss of federal funds.

Section 10(a) prohibits local taxation by school districts. Currently Missouri school districts receive over $2.9 billion in local revenues. This petition would result in the loss of those revenues to local public schools.

This analysis assumed all State operated schools for the Blind, Deaf and Severely Handicapped would be closed.

This analysis calculated costs for education in grades 13-14 using DESE's current rate of entry in community colleges, 26.8%. It is anticipated this number would increase significantly, though there is not data available for analysis. Any significant increase in this number would result in a substantial increase in state costs.

This analysis assumes a redistribution of Gaming and Lottery revenues. This results in a net impact of zero for the State; however individual programs will be negatively impacted.

- Departments of Health and Senior Services and Social Services would lose $15 million from the Early Childhood Education Development and Care Fund (ECDEC).
- DESE would lose $22 million in Lottery and Gaming funds used for various programs, including First Steps and Early Childhood Education Programs.
- Veteran's Commission would lose $6 million in Gaming funds.
- Missouri National Guard would lose $4 million in Gaming funds.

It is assumed the Gaming Commission would retain $19.6 million in gaming revenues to continue regulatory functions of gambling casinos and bingo.

It is assumed Early Childhood Special Education services would continue for children ages 3-5. They would be provided with scholarship certificates in the amount of $8,836 per child, the rate currently expended for these services.

For FY 2004, Missouri spent 32.4% of total state revenues on free public education. Calculations for FY 2005 have not yet been completed.

This could be a potential Hancock issue. It is unknown where students will chose to attend school. There is the possibility of schools receiving less money, due to loss of local funds, than is generated by the scholarship certificates.

OA officials also indicated that there would be an impact on Community Colleges/Universities. Because Section 1(a) of the initiative petition establishes free public schools for grades K-14 for Missourians twenty-one years and under, community colleges would no longer be able to charge tuition and fees for Missouri students twenty-one years and under. They could still charge tuition and fees for non-Missouri residents and students over twenty-one years old. Instead of tuition and fees, community colleges will receive funding from scholarship certificates for each Missouri student twenty-one years and younger attending their institution. This analysis assumes education for grades 13-14 would be provided at community colleges only.

Because Section 10(b) of the initiative petition reads that the legislature shall appropriate funds to students in the form of scholarship certificates (rather than the current method of direct appropriations to the community colleges), community colleges would no longer receive direct state appropriations of approximately $133 million annually. Instead of state appropriations, community colleges will receive funding from scholarship certificates for each Missouri student twenty-one years and younger attending their institution.

Because Section 10(a) of the initiative petition prohibits local taxation by community colleges, community colleges would lose approximately $112 million annually in local tax revenues. The community colleges will instead be funded through State taxation,

distributed to the community colleges through scholarship certificates, for each Missouri student twenty-one years and younger attending their institution.

The four-year higher education institutions and Linn State Technical College would lose approximately $67 million annually in lottery funding under this proposal as those funds would be redistributed to K-14 education.

Higher education scholarship programs would lose approximately $8 million annually in lottery and gaming funding under this proposal as those funds would be redistributed to K-14 education.

OA officials also indicated that there would be an impact from the tax credits. At this time there is no data available to accurately estimate the fiscal impact of the proposed tax credit. A number of large and small corporations currently donate funds for education. A number of parochial schools do not charge tuition; rather they collect donations from members. It is assumed these existing donations combined with new donations generated by this petition would result in a substantial loss of tax revenue.

Department of Revenue

According to officials from the Department of Revenue (DOR), this legislation would require the legislature to provide funding through taxation (sales, income, and property tax) for all K-14 schools. If passed by a vote of the people, the legislature could potentially increase the amount of sales tax, income tax, and property tax collected in order to provide this funding. This could have an indirect impact on the DOR with the increase from 25% to 33% mandatory education funding. Also, more specific language would be needed regarding the tax credits allowed to business and/or individuals who donate funds to schools. The DOR assumes it would only redeem the credits, not administer the credits. No fiscal impact is anticipated.

Metropolitan Community College

Officials from Metropolitan Community College (MCC) indicated they estimate state aid for the 2006-07 school year to be approximately $30.9 million. Assuming that level of funding will continue, the impact of eliminating their ability to tax would be about $28.1 million and abolishing their ability to charge fees would result in $38.3 million in lost fee revenue, or a total loss of approximately $66.4 million. This would be the worst case scenario since it assumes the state would not make up any of this lost revenue. Currently, the state of Missouri, by statute, can fund up to fifty percent of the MCC operating budget. In 2006-07 school year, the state is projected to fund only 28.6 percent of the MCC operating budget, or about 57.2 percent of what it is allowed by statute. If the state would only replace 57.2 percent of the lost revenue, as it does now with state aid, then the administration at MCC should assume that it would only replace 57.2 percent of the $66.4 million in lost revenue, or $38 million, thus reducing funding to MCC by about $28.4 million. Therefore, a likely fiscal impact on MCC could conceivably be $28.4 million.

As for the scholarship certificates, there is no way to really measure the fiscal impact empirically. However, since it certainly would have a negative effect on enrollment, MCC feels it is safe to say that its fiscal impact would also be quite negative.

St. Louis Community College
According to officials at St. Louis Community College, they will receive approximately $54,200,000 in its current fiscal year of 2006 from local property taxes. The $54,200,000 amount, which represents 36% of the College's operating budget, is the largest revenue component of the College. The College has a very serious concern that the state of Missouri would not be able to provide the additional amounts of funding that the College currently receives in local property taxes as well as what it would receive from those taxes in the future.

The College's concern is based upon the fact that the College has experienced withholdings and reductions in state aid in recent years. In addition, the Missouri Department of Higher Education has advised the College this week that it should plan on a 10% to 12% reduction, which could amount to nearly $5,500,000, in core state aid for FY 2007.

Linn State Technical College
Officials from Linn State Technical College indicated that the fiscal impact is unknown, however to manage a voucher system for all K-14 schools could become quite costly for the state to administer. The proposed amendment would provide additional funding through lottery tickets, regulated gambling, and taxation from income, sales, and property. The removal of section 8 would allow additional K-14 schools to receive funding from an already inadequate funding stream. K-14 schools would need to develop a system to monitor and track the scholarship certificates which could result in the need for additional staffing. It also limits the ability of K-14 schools to generate additional dollars through tax collection.

Fiscal Note Summary

Funding for all public & non-public K-14 schools shall be the sole responsibility of the state legislature. The estimated state impact exceeds $3.5 billion annually. Because public K-14 schools shall no longer assess local taxes, the impact on local government is unknown, as they are subject to funding from the state legislature.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-19)

Subject

Initiative petition from Daniel Krehbiel regarding a proposed statutory amendment to Chapter 208 of the Revised Missouri Statutes concerning Medicaid (Version 4). (Received November 30, 2005)

Date

December 7, 2005

Description

The initiative petition would amend Chapter 208 of the Revised Missouri Statutes. The proposed statutory amendment would implement provisions of the federal Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIIA). Those provisions would provide medical assistance to individuals who are employed, disabled, and meet asset and income requirements.

If an eligible individual's employer offers employer-sponsored health insurance and the Department of Social Services (DSS) determines that it is more cost effective, the individual shall participate in the employer-sponsored insurance and the DSS would pay the individual's portion of the premiums, co-payments, and any other costs associated with participation in the employer-sponsored health insurance.

Any person whose income exceeds one hundred fifty percent of the federal poverty level would have to pay a premium for participation in the medical assistance provided. This premium would be paid by electronic funds transfer or employer deduction unless good cause is shown to pay otherwise.

The DSS would apply for all grants which may be available to offset the costs associated with the implementation of this section and would not be allowed to contract for the collection of premiums.

Medical assistance would be paid for children and custodial parents with family income which does not exceed two hundred percent of the federal poverty guideline for the applicable family size. This coverage would be subject to the receipt of notification by the director of the DSS and the revisor of statutes of approval from the secretary of the U.S. Department of Health and Human Services of application for waivers of federal requirements.

Public comments and other input

The State Auditor's Office received input from the Department of Social Services (DSS), the Department of Mental Health (DMH), and the Department of Health and Senior Services (DHSS).

Assumptions

Officials from the DMH provided FY 2006 budget reductions specific to DMH; however, the DSS prepared a statewide fiscal impact statement which included Medicaid eligibility groups served by DMH.

Officials from the DHSS indicated that since the intent of the petition is to restore cuts made to the Medicaid program as a result of the passage of SB 539 and expand coverage, the DSS would provide fiscal impact on these programs and the DHSS would not provide a statement of fiscal impact.

Officials from the Department of Social Services – Division of Medical Services provided estimated costs for Medicaid services provided through the DSS, DMH, and DHSS. Section 208.146 would expand Medicaid eligibility to the individuals eligible under the federal Ticket to Work and Work Incentives Improvement Act of 1999. The cost is estimated to be $110,200,000 annually.

Section 208.151.1(16) would expand Medicaid eligibility to custodial parents of eligible children. The cost is estimated to be $586,284,557 annually.

Section 208.151.1(26) would expand income levels for eligibility for Old Age Assistance (OAA) and Permanent and Total Disability (PTD) eligibles. The projected annual cost to increase the income standard to 100% of Federal Poverty Level (FPL) is $113,300,000.

Section 208.152.1(7) would add dental services for all Medicaid eligibles. The projected annual cost is $28,400,000.

Section 208.152.1(12) would add optometric services for all Medicaid eligibles. The projected annual cost is $3,100,000.

Section 208.152.4 would require co-payments of certain services – dental services, drugs and medicines, optometric services, eyeglasses, hearing aids, and other services. Any payment made by recipients would be in addition to and not in lieu of any payments made by the state for services. The estimated annual cost is $22,900,000.

Section 208.162 would expand Medicaid eligibility to individuals who receive general relief benefits under section 208.015. The projected annual cost is $14,200,000.

Total annual costs for FY 2007 are estimated at $878,384,557 ($526,029,139 Federal and $352,355,418 General Revenue). However, since the program change would be

implemented in November of 2007, estimated costs for FY07 would be for eight months or $585,589,705. Estimated costs for FY08 and FY09 would be $917,920,733 and $959,216,567, respectively. A 4.5% inflation for medical costs was applied to the costs for FY08 and FY09.

Officials from the DSS – Family Support Division (FSD) indicated that the proposed legislation essentially restores many of the Medicaid cuts (a.k.a. Medicaid Restoration Act) codified into law by SB 539 from the previous legislation session. In addition, it would add Medicaid coverage for custodial parents of children eligible for Medicaid coverage under section 208.151.

The General Relief population would represent a caseload increase for FSD; however, it would not warrant an increase in FTE as current staffing levels remain consistent with pre-SB 539 levels. The other populations are known to FSD and would therefore not represent an increase to its caseload(s). The custodial parents would be a new population of eligibles for Medicaid. The FSD and the Children's Division (CD) are currently managing cases on the children of these parents in section 208.151.1 which therefore precludes the need for any additional FTE.

The FSD assumes it would add back to its rolls the number of recipients who lost eligibility due to SB 539, 119,592. In addition, custodial parent(s) would qualify for Medicaid coverage. Based upon DSS-FSD estimates, 106,133 custodial parents would be added. In total, 225,725 eligibles would be added.

Modifications to the FSD and CD data systems (FAMIS, Legacy, and FACES) would be needed in order to implement this initiative. Since the FAMIS Medicaid system would not be fully operational statewide by the potential implementation date of this petition (if passed) both FSD systems, FAMIS and Legacy, would have to be modified to accept the proposed changes. The CD's system, FACES, would require system changes and new programming.

FAMIS system changes – 2,800 hours @ $100/hour =	$280,000
Legacy system changes – 3,750 hours @ $ 75/hour =	281,250
FACES system changes – 960 hours @ $ 65/hour =	62,400
FACES program changes – 480 hours @ $ 75/hour =	36,000
	$659,650

Summary of FY07 (8 months) Estimated Costs			
	General Revenue	**Federal**	**Total**
Annual costs			
Section 208.146	$28,747,507	$44,719,160	$73,466,667
Section 208.151.1(16)	152,942,098	237,914,273	390,856,371
Section 208.151.1(26)	29,556,193	45,977,140	75,533,333
Section 208.152.1(7)	7,408,613	11,524,720	18,933,333
Section 208.152.1(12)	808,687	1,257,980	2,066,667
Section 208.152.4	5,973,847	9,292,820	15,266,667
Section 208.162	9,466,667		9,466,667
One time System changes	329,825	329,825	659,650
Total	$235,233,437	$351,015,918	$586,249,355

Summary of FY08 Estimated Costs			
	General Revenue	**Federal**	**Total**
Annual costs			
Section 208.146	$45,061,717	$7,009,7284	$115,159,001
Section 208.151.1(16)	239,740,209	372,936,022	612,676,231
Section 208.151.1(26)	46,329,333	72,069,166	118,398,499
Section 208.152.1(7)	11,613,001	18,064,998	29,677,999
Section 208.152.1(12)	1,267,617	1,971,884	3,239,501
Section 208.152.4	9,364,005	14,566,496	23,930,501
Section 208.162	14,839,001		14,839,001
Total	$368,214,883	$549,705,850	$917,920,733

Fiscal Note Summary

The estimated annual fiscal impact on state government is approximately $368 million. The estimated fiscal impact on local government, if any, is unknown.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-20)

Subject

Initiative petition from Herman Kriegshauser regarding a proposed constitutional amendment for Article I, Bill of Rights, section 7. (Received December 14, 2005)

Date

January 6, 2006

Description

Article I, Section 7, currently prohibits the taking of funds from the state treasury, directly or indirectly, in aid of any church, sect or denomination of religion, or any priest, preacher, minister or teacher thereof. The initiative petition (version 4) repeals this prohibition.

The amendment is to be voted on in November, 2006.

Public comments and other input

The State Auditor's Office received input from the State Treasurer's Office.

Assumptions

Officials from the State Treasurer's Office indicated there would be no fiscal impact on the State Treasurer's Office.

The SAO assumes the repeal of the prohibition of state funding, directly or indirectly, to any church, sect, or denomination of religion, or any priest, preacher, minister or teacher thereof could result in the appropriation of state funds to such entities by the General Assembly. Should this occur, the fiscal impact to state and local government is unknown.

Fiscal Note Summary

The fiscal impact to state and local government is unknown.